

In this simulation, you will take on the role of Lawrence Red Owl in order to learn how to complete Form W-4.

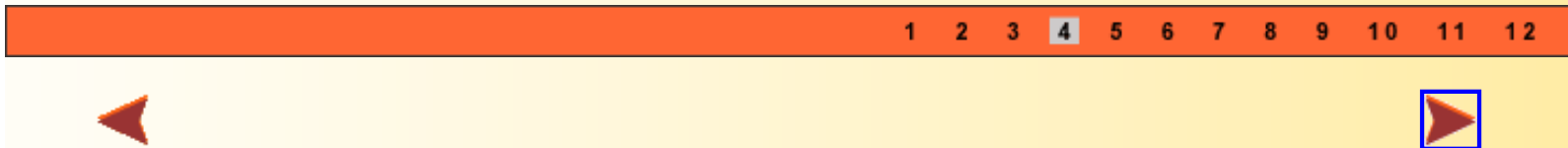
1 2 3 4 5 6 7 8 9 10 11 12



Module 1 Simulation



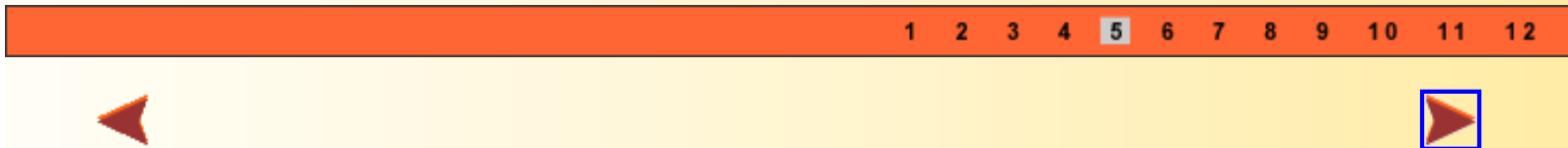
You are not married. You have no children. No one else depends on you for income or support.



Module 1 Simulation



In May, you graduated from college with a degree in marketing.



Module 1 Simulation



Congratulations! In June, you get a job as the manager of a clothing store in the mall. You will be paid a weekly salary and bonus based on store sales. You will begin work on July 1. You want to impress your employer, so you will work only for the clothing store, giving the job all your time and effort.

To review your personal information, click **My Profile** below.

1 2 3 4 5 6 7 8 9 10 11 12

My Profile



My Profile

Name: Lawrence R. Red Owl

Employment: Manager at a mall clothing store

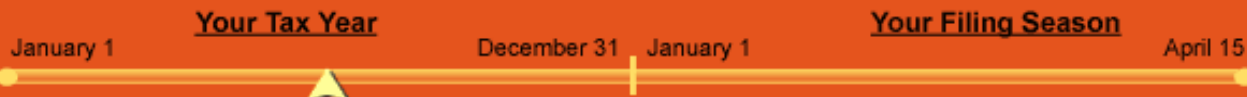
Marital status: Single

Spouse's name (if any): N/A

Children: None

U.S. citizen: Yes

Other: Recent college graduate



Your employer asks you to complete Form W-4, *Employee's Withholding Allowance Certificate*, to determine the amount of income tax to withhold from your pay.

----- Cut here and give Form W-4 to your employer. Keep the top part for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 2007
1 Type or print your first name and middle initial.		Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)				5
6 Additional amount, if any, you want withheld from each paycheck				6 \$
7 I claim exemption from withholding for 2007, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶				7
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.				
Employee's signature (Form is not valid unless you sign it.) ▶				
Date ▶				
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)			9 Office code (optional)	10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form W-4 (2007)

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

My Profile

Module 1 Simulation



To complete Form W-4, answer the following questions.

Do you have more than one job?

☐ yes ☒ no

Are you married?

☐ yes ☒ no

Do you have children or others who you will claim as dependents on your tax return?

☐ yes ☒ no

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

My Profile

Module 1 Simulation



Based on the information you provided, how many allowances will you claim?

Enter number of allowances:

Hint: See Line 5 on your W-4

To review your W-4, click **My Form W-4** below.

1 2 3 4 5 6 7 8 9 10 11 12

My Profile

My Form W-4

Form **W-4**

Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

OMB No. 1545-0074

2007

► **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

1 Type or print your first name and middle initial. Lawrence R.		Last name Red Owl		2 Your social security number 512 00 2213	
Home address (number and street or rural route) 5022 Oak Tree Drive			3 <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code Anytown, U.S. 00001			4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)				5	1
6 Additional amount, if any, you want withheld from each paycheck				6	\$
7 I claim exemption from withholding for 2007, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. 					
If you meet both conditions, write "Exempt" here ►					7
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.					
Employee's signature (Form is not valid unless you sign it.) ►					
Date ►					
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)			9 Office code (optional)		10 Employer identification number (EIN)

Module 1 Simulation



Let's review what happens if you are single, earn \$500 per week, and claim zero, one, or two withholding allowances.

Withholding allowances	0	1	2
Amount of tax withheld	\$61	\$52	\$44

Can you describe the relationship between the number of allowances claimed on Form W-4 and the amount of tax withheld?

As the number of allowances increases, the amount of federal income tax withheld

- ☐ increases.
- ☒ decreases.
- ☐ is not affected.

1 2 3 4 5 6 7 8 9 10 11 12

My Profile

My Form W-4

Module 1 Simulation



That's correct! As the number of withholding allowances increases, the amount of income tax withheld decreases.

Taxpayers should claim the number of withholding allowances that will result in the federal income tax withheld being about equal to the federal income tax liability.

1 2 3 4 5 6 7 8 9 10 11 12

My Profile

My Form W-4





Congratulations, Lawrence! You've successfully completed Form W-4.

1 2 3 4 5 6 7 8 9 10 11 12

